

## Gupta Power Infrastructure Limited

Instrument	Amount	Rating Action
	In Rs. Crore	As on June 2016
Term Loans	55.0 (earlier Rs. 42 crore)	[ICRA]A- (stable) (Reaffirmed)
Working Capital Limits	720.0 (earlier Rs. 630.0 crore)	[ICRA]A- (stable) (Reaffirmed)
Non fund based limits	1460.0 (earlier Rs. 1152.0 crore)	[ICRA]A2+ (Reaffirmed)

ICRA has reaffirmed the long term rating of [ICRA]A- (pronounced ICRA A minus) for the Rs. 720 crore<sup>1</sup> fund based limits (earlier Rs. 630.0 crore) and Rs. 55.0 crore term loans (earlier Rs. 42.0 crore) of Gupta Power Infrastructure Limited (GPIL)<sup>†</sup>. The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) for the Rs. 1460.0 crore non fund based limits (earlier Rs. 1152.0 crore) of GPIL.

The ratings reaffirmation take into account GPIL's experienced promoters, long track record of operations of the company in the cables and conductors division, and its established relations with reputed clients like Power Grid Corporation of India (PGCIL), Odisha Power Transmission Co. Ltd (OPTCL), KEC International Limited, etc. The ratings also factor in the healthy growth in GPIL's operating income over the last few years; the tax and excise duty benefits enjoyed by GPIL's Kashipur (Uttaranchal) plant; and the healthy order book position of the company which provides adequate revenue visibility over the medium term. The ratings derive comfort from diversified geographical presence of GPIL's manufacturing facilities allowing it to cater to pan-India demand; the diversification in the product offering of the company with increase in the sales of cables and household wires; and the Rs. 35.0 crore equity infusion by the promoters during FY2016 to support the growth in operations. Moreover, the ratings also take into consideration the overall steady demand outlook for the cables and conductors and the Government of Odisha's investments in power infrastructure in the state.

However, the ratings are constrained by the working capital intensive nature of operations resulting in high reliance on working capital borrowings to support the growth in operating income, also evidenced by consistently high utilization of sanctioned working capital limits. This, coupled with debt funded capex done over the last few years, have kept the debt levels elevated and capital structure moderately geared (gearing of 1.67 times as on March 31, 2016 provisional). High interest costs and high debt levels have resulted in moderate debt coverage indicators as reflected by interest coverage of 1.9x, NCA/TD of 11% and debt/OPBDITA of 4.0x as on March 31, 2016. The ratings also take into account impact of increasing competitive intensity of the industry on GPIL's operating profitability, which has been witnessing a steady decline over the years.

Going forward, improvement in profitability would be critical to strengthen the liquidity of the company. Also, the company would need to raise the asset turnover rate to achieve higher operating income without further capex. In addition, control over working capital intensity of the business, both by managing the receivables and inventory, would be a rating sensitivity.

### Company Profile

Incorporated in 1961, Gupta Power Infrastructure Limited is engaged in manufacturing of aluminum and alloy conductors, wires and cables, with its facilities based out of Chennai, Khurda (Odisha) and Kashipur (Uttarakhand). The company is promoted by the Odisha based Gupta family. The product portfolio of the company consists of high tension and low tension power cables, control cables, instrumentation and signal cables, ariel bunched cables, industrial cables, besides all-aluminum, aluminum-alloy, and aluminum-steel reinforced conductors. GPIL's clients include Power Grid Corporation of India Ltd, KEC International Ltd, Odisha Power Transmission Co. Pvt. Ltd., and other state utility companies.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA rating publications



### Recent Results

During the financial year 2015-16 (provisional), GPIL reported an operating income of Rs. 2789.3 crore as against an operating income of Rs. 2245.8 crore in financial year 2014-15.

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*For further details please contact:*

Analyst Contacts:

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500